

CHAPTER 2: INTERIM REPORT

Competition Policy: Friend or Foe

Economic Surplus, Social Deficit?

2.1 In August 1999, the Senate Select Committee on the Socio-Economic Consequences of the National Competition Policy agreed to issue an Interim Report as a basis for discussion and further deliberation in the community.

2.2 The Committee found that the community had serious concerns about the National Competition Policy (NCP).

2.3 Furthermore, the Committee found that the NCP had become a 'lightning rod' for the many negative social and structural changes that are occurring in Australia, particularly in rural and regional areas. Consistent with this, the Committee found considerable misunderstanding of NCP. NCP is being blamed for outcomes caused by other policies and changes occurring in the marketplace.

2.4 In the Interim Report, the Committee expressed concern about the application of NCP as a 'one model' approach to all sectors and that a flexible outcome ought to be sought by an application of the 'public interest' test that allows for changing concepts of what is in the 'public interest'. The Committee found that there is a need for a more directed and considered public education and consultation effort in relation to NCP in order to address the misinformation and misconceptions about the purpose and goals of the policy.

2.5 In the final chapter of the Interim Report the Committee highlighted those areas where further inquiry was needed. The Committee was concerned that, notwithstanding the high quality of the submissions and evidence presented to it, it had not received as much information as desirable on a number of issues.

2.6 The issues identified by the Committee included:

- unemployment and working conditions;
- health and social welfare, including access and equity trade-offs and community service obligations;
- the environment and water reform;
- the impact on urban and rural and regional communities, particularly isolated Aboriginal Communities; and
- the role of the public interest test in the National Competition Policy process.

2.7 The Committee also indicated that its work to date had identified a number of areas of significant concern that warranted closer attention and public input before finalising its report. These areas included:

- the administration of NCP, its overall management, application and co-ordination;
- education for practitioners of NCP regarding their application, administration and consultative processes;
- ongoing empirical study of the impact of NCP on the social and economic welfare of all Australians to assess progress and outcomes;
- the appropriate balancing of policy delivery mechanisms affecting small rural and regional areas as NCP is not a universally applicable model as it is presently applied;
- the regulatory framework of NCP, including the Trade Practices Act; and
- the forward agenda for NCP, including the impact of its widening application and consideration of its structure and application post 2006.

Responses to the Interim Report

2.8 A number of responses were received following the wide distribution of the Interim Report. The majority were in accord with the general thrust of the report:

The report was considered by Council with a great deal of interest....Local government expressed bitter disappointment at not being invited to be represented at the CoAG table when the decision was taken in 1996 to proceed with National Competition Policy (NCP).

Hence, concerns expressed by local government at the adverse effect of NCP undertakings with a community service obligation appear to have fallen on deaf ears. Even further, it now appears that the National Competition Council (responsible for implementing the NCP) is progressing merrily on its own way without oversight by the higher tiers of Government.

Following consideration of these points, Council resolved to endorse the recommendation on the part of the Senate Select Committee in that as part of the Year 2000 review of the National Competition Council, consideration must [be] given to the role the National Competition Council can play in securing a coordinated outcome.¹

1 Submission No 215, Nambucca Shire Council, p 1.

And

The City of Bunbury has had a long interest in NCP, and its socio-economic impact upon our community.

I support the broad thrust of the Interim Report.²

2.9 Nevertheless, there were a number of responses which disputed the Committee's findings:

Your assertions in the summary that community concerns are based on -

"level of understanding of the policy"

"lightning rod for the many negative social and structural changes"

"misrepresented and poorly applied"

suggest the Committee does not fully appreciate rural issues.

The facts are that the more effectively the policy is implemented in rural areas, the more devastating the effects. I have, on behalf of Council, made many submission to both State and Federal Governments over the impact of these economic policies:

Forestry, Electricity, RTA, Telstra, State Rail, to name a few

Implementing the requirements of National Competition Policy in these industries has consistently meant - less jobs in rural areas, lower and less reliable services, and increased charges for domestic consumers.....

The Senate Select Committee has an opportunity to lead the Government towards a change of directions and hopefully to a rediscovery of its social conscience.³

2.10 The Australian Conservation Foundation expressed its concern that the Interim Report did not accurately reflect its views that NCP, correctly applied, will help to reduce environmental pressures, particularly where new water resource developments are involved. The ACF also noted that:

...currently, access to public natural resources is significantly under-priced, hence raising serious issues of competitive neutrality. For example in forestry management, potential for investment in private hardwood plantation forestry is seriously compromised by the sale of hardwoods by

2 Submission No 214, City of Bunbury, p1.

3 Submission No 216, Copmanhurst Shire Council, p 1-2.

State forestry agencies at a loss, and without having to pay taxes, dividends and interest on debt.⁴

2.11 The Committee is grateful to the above organisations and others who responded to its call for further information. The Committee, having circulated its interim report widely and held further hearings, now presents its final report.

4 Submission No 206, Australian Conservation Foundation, p 1.